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S E C R E T SECTION 01 OF 03 ABU DHABI 002855

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DEPT FOR C - ZELIKOW, NEA/ARP, NEA/I
TREASURY FOR DEPUTY SECRETARY KIMMITT

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TAGS: [EAID](#) [ECON](#) [EFIN](#) [IZ](#) [AE](#)

SUBJECT: SCENESETTER FOR VISIT OF DEPUTY SECRETARY KIMMITT
AND COUNSELOR ZELIKOW TO UAE: JULY 22-23

REF: A. ABU DHABI 2781

[B](#). ABU DHABI 2695

[C](#). ABU DHABI 2129

[D](#). ABU DHABI 1106

Classified By: Ambassador Michele J. Sison for reasons 1.4 (B & D).

[1](#). (S/NF) Summary: Embassy Abu Dhabi welcomes the July 22-23 visit of Deputy Secretary of Treasury Kimmitt and Counselor Zelikow to discuss the Iraq Compact. Your visit follows Iraqi Prime Minister Maliki's July 3 visit to the UAE, where President Khalifa bin Zayed Al-Nahyan and other senior UAE officials reiterated their pledges of support to the people of Iraq and committed to launching three bilateral groupings addressing security, investment, and military assistance. On June 15, Deputy Prime Minister Sheikh Hamdan bin Zayed Al-Nahyan agreed to host an energy sector conference for Iraqi participants and restated the UAEG's commitment to forgiving most of Iraq's debts (although he noted that there was not yet GCC consensus on that issue). The UAE pledged \$215 million in Madrid for Iraqi reconstruction, of which it has disbursed about \$80 million. End Summary.

[2](#). (S/NF) The UAE continues active engagement with Iraq. It has publicly supported the new Iraqi government and has provided extensive security assistance, as well as attempted to influence Iraqi moderates to participate more in the political process. The UAE mission in Iraq faced recent terrorist attacks with the killing of two Iraqi employees in April and the kidnapping -- and subsequent release -- of the Deputy Charge of Affaires, Naji Al-Nuaimi, in May. Despite being directly targeted, the Emiratis have stated that they intend to continue their humanitarian assistance to the Iraqi people and to contribute to rebuild Iraq.

[3](#). (C) On July 3-4, Iraqi Prime Minister Nouri Al-Maliki visited the UAE with his Oil, Defense, Electricity, Environment, and Communications Ministers and his Minister of State for Foreign Affairs. President Sheikh Khalifa bin Zayed Al-Nahyan and Vice President/Prime Minister Mohammed bin Rashid Al-Maktoum both made public pledges of support to the people of Iraq during the visit. The Iraq-UAE discussions focused on creating three areas of cooperation: investment, military assistance, and security.

Investment

[4](#). (C) In their June 15 meeting in Abu Dhabi, Ambassador Khalilzad asked Deputy Prime Minister Sheikh Hamdan bin Zayed Al-Nahyan (HbZ), that the UAE assist in encouraging economic (especially oil industry) leaders, both regional and

international, to invest and work in Iraq. Khalilzad suggested that a regional conference might be beneficial and asked if the UAE would host such an event. Abu Dhabi Crown Prince Mohammed bin Zayed (MbZ) has approved this idea. (Note: Several UAE officials have noted that increased FDI in Iraq will depend on successful Iraqi efforts to improve stability and security in the country. End note.)

15. (SBU) The UAE and Iraq agreed to focus on UAE investment in Iraq's energy and telecommunications sectors. The UAE is well placed to encourage this type of investment and to serve as a "jumping off point" for investment in Iraq's energy or telecommunications sector. The major international oil companies (IOCs) including ExxonMobil, BP, Shell, Total, and Occidental Petroleum are all represented in Abu Dhabi. ExxonMobil, BP, Total, and Shell all are shareholders in Abu Dhabi's upstream oil industry. In March, ExxonMobil signed agreements with ADNOC and the Emirate of Abu Dhabi giving it a 28% stake in the huge Upper Zakum offshore oil field. Occidental Petroleum is partnered with Total and the Abu Dhabi Government owned Mubadala Development Company in the Qatar-UAE Dolphin Gas pipeline project, the premier transborder natural gas project in the Middle East. U.S. companies have a 45% stake in the oil and gas services industry here and have a significant physical presence that they can use as a regional base for operations in Iraq.

16. (SBU) In addition, the UAE has a relatively sophisticated telecommunications infrastructure, with internet penetration of around 40% and mobile phone penetration of over 96%. The former monopoly telecommunications company Etisalat has significant international investments including a 34.7% share in the Thuraya Satellite Telecommunications Company and investments in Saudi Arabia, Pakistan, and a new GSM license

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in Egypt. Both Etisalat and the new second telecommunications provider are largely UAE (or Emirate level) government owned, with the rest of the shares traded in the UAE's stock markets. The UAE does not plan to open its telecommunications sector to foreign service providers until 2015

Iraqi Reconstruction/Debt Relief

17. (SBU) In 2004, the UAE pledged \$215 million toward Iraqi reconstruction in Madrid, but it has been extremely difficult to determine exactly how much of that disbursement the UAE has made. Although the UAE had informed the Embassy in 2005 that it had disbursed all \$215 million on "projects inside Iraq," the MFA later told us that the UAE had disbursed a total of \$80 million of its pledge. (Ref D). The aid has included medical services, computers, fuel, desalinization plants, medicines, foodstuffs, and cash.

18. (SBU) In 2004 the UAE pledged to provide Iraq two ABB 200 megawatt power generators but has not delivered them to date.

Although the UAE had originally looked to have another country cover the costs of transportation and installation, we understand that the Emirate of Abu Dhabi has decided to cover the costs. According to an official at the Abu Dhabi Water and Electricity Authority, the contract to ship and install the generators is in MbZ's office for approval. The Chairman of the Abu Dhabi Water and Electricity Authority met with the Iraqi Electricity Minister on July 4 and pledged his support.

19. (c) The UAE has committed to waiving most of the estimated \$3.5 billion Iraqi debt that it holds. Currently, the UAE is not requiring the Iraqis to make any payments. However, the UAE has also said it is bound by the GCC to adopt a common position on Iraqi debt. In his June 15 meeting with MbZ, Ambassador Khalilzad urged the UAE to take the lead in the GCC on the issue of Iraqi debt forgiveness, suggesting that the GCC go at least as far as the Paris Club in forgiving

Iraqi debt. Without answering, HbZ inquired what Saudi Arabia and Kuwait had committed to do. HbZ then added that the UAEG does not have any problem with waving debt "in principle," noting that the UAE had previously committed to former Secretary Baker to waive most of the debt. However, "the GCC does not agree with us on this issue." (Comment: the UAE does not appear to be prepared to play a leading role in the GCC on this issue, probably because -- in comparison with Kuwait and Saudi Arabia -- it holds less debt. End comment.)

Military Assistance

¶10. (C/NF) The UAE has also provided the Iraqis with significant security assistance over the last several years. For example, the UAE conducted joint training programs with Germany, under which they have trained 431 Iraqi police and trained an Iraqi engineering battalion. The UAE has provided Iraq with engineering equipment, military equipment (including 100 trucks, 4 light reconnaissance aircraft, 43 French Panhard Armored Personnel Carriers) and \$8 million toward the transfer of M-113 APCs from Jordan.

¶11. (C) According to Yousef Al-Otaiba, International Affairs Director for Crown Prince Sheikh Mohammed bin Zayed Al-Nahyan (MbZ), the military assistance portion of future cooperation will include a visit to Iraq by representatives of the UAE's military and defense sectors to examine materiel and funding needs there. The UAE is particularly interested in creating linkages between Baghdad and UAE manufacturers of ballistic vests, ammunition, and the TIGER, an all-terrain vehicle (similar in purpose to the Humvee) manufactured by the Bin Jabr Group of Abu Dhabi. (Ref A).

UAE/Regional Efforts

¶12. (S/NF) The UAEG has often cited concern regarding Iranian influence in Iraq. The UAE has reached out to moderate Shi'a and is encouraging them to engage in the political process independent of Iran. According to State Security Directorate (SSD) officials senior Shia'a tribal leaders from southern Iraq visited the UAE recently to discuss ways to get out from under Iranian influence. SSD officials told Assistant to the President for Homeland Security and Counter Terrorism

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(APHSCT) Frances Fragos Townsend on June 19 that the UAE is also encouraging and facilitating Iyad Allawi's efforts to reach out to and coordinate with moderate Shi'a. (Ref B).

¶13. (S/NF) In addition, the UAE's intelligence service is working with five other countries (Jordan, Egypt, Kuwait, Turkey, and Saudi Arabia) to support Iraqi "nationalists." On May 17, Abu Dhabi Crown Prince Sheikh Mohammed bin Zayed Al-Nahyan (MbZ) told an interagency team led by Principal Deputy Undersecretary of Defense for Policy Ryan Henry and PM A/S John Hillen that the "Group of Six" has been able to provide Iraqi moderates with only about ten percent of the \$50-\$60 million that they required each month. Deputy PM HbZ has also suggested that there be a "collective effort" to support the Shi'a groups from the south in establishing radio and television stations. (Ref C).

Arab Monetary Fund

¶14. (C) Headquartered in Abu Dhabi, the Arab Monetary Fund provides credit facilities to member states as well as technical assistance. As of June 2006, Iraq owed the AMF approximately \$505 million in principal and capitalized interest, making it the largest debtor to the AMF. The AMF board of governors agreed that Iraq needs debt reduction. In our meetings with AMF officials, they have stressed that the AMF can provide rescheduling of the principal, not

forgiveness. They also note that there has been no movement on rescheduling to date. (Note: AMF Director General Chairman of the Board Dr. Jassim Al-Mannai, a Bahraini national, is married to an Iraqi. End Note.)

Other Treasury Issues

¶15. Three Treasury Under Secretaries have visited the UAE in the last six months:

-- (SBU) On May 22, Under Secretary for International Affairs Timothy Adams met with Dubai business and banking officials.

--(S) Under Secretary for Terrorism and Financial Intelligence Stuart Levey visited twice (January 24 and April 30) to chair the first and second meetings of the Joint Terrorist Finance Coordinating Committee (JTFFC) and (in April) to discuss possible financial measures to pressure and isolate the Iranian regime with UAE ForMin AbZ.

-- (SBU) On March 22, Treasury Under Secretary for Domestic Finance Randal Quarles met with UAEG and Emirate of Abu Dhabi and Dubai financial officials in outreach targeted at holders of U.S. Treasury securities.

-- (U) In addition, there are two regional Treasury Advisors (Banking and Debt) assigned to the Embassy under the Middle East Partnership Initiative. This September, the regional Office of Foreign Assets Control attach will be relocating from Manama to Abu Dhabi.

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